

**PERFORMANCE AUDIT
OF THE
DELTA COUNTY ROAD COMMISSION
STATE OF MICHIGAN
September 2005**

**SUBMITTED BY
State of Michigan
Department of Treasury
Bureau of Local Government Services
Local Audit and Finance Division**



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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

October 10, 2005

Board of Road Commissioners
Road Commission of Delta County
3000 32nd Avenue, North
Escanaba, Michigan 49829

Dear Commissioners:

As directed by MCL 247.661(22), we have conducted a performance audit of the Road Commission of Delta County. We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide a reasonable basis for our findings and conclusions. Accordingly, we have performed such procedures as we considered necessary in the circumstances.

A performance audit is an examination of the management policies and procedures which focuses on determining whether management is effectively and efficiently meeting program objectives. The ultimate goal of a performance audit is to identify areas for improvement and to work with management to implement policies and procedures that will result in suggested improvements.

This report contains our executive overview, a description of the Delta County Road Commission, audit objectives, conclusions, management's comments, and scope and methodology.

This report is the result of our evaluation and is intended solely for the information of management and the Michigan Department of Transportation. This restriction is not intended to limit the distribution of this report.

We appreciate the courtesy and cooperation extended to us during the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Cary Jay Vaughn".

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

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WHAT WE AUDITED

We audited the Delta County Road Commission (Road Commission) to determine whether management policies and procedures resulted in effective and efficient accomplishment of their organizational mission. However, our audit could not and does not purport to have tested all aspects of the Road Commission's performance. No implication should be made on aspects of performance other than those explicitly stated in this report.

AUTHORITY FOR AUDIT

The 58th Amendment of Act 51 of Michigan Public Acts 1951 being Michigan Compiled Laws (MCL) Section 247.661(22), states that in addition to financial compliance audits required by law, the Michigan Department of Treasury (Treasury) shall conduct performance audits and make investigations of the disposition of all State funds received by county road commissions, county boards of commissioners, or any other county governmental agency acting as the county road authority, for transportation purposes to determine compliance with the terms and conditions of this act. This performance audit was conducted in response to this legislative mandate.

BACKGROUND

Delta County maintains approximately 984 miles of primary and local roads and 333 miles of State Trunkline. The county seat is located in the City of Escanaba. The Delta County Road Commission is a component unit of the County of Delta, Michigan.

The Road Commission operates under an elected board of three (3) County Road Commissioners who establish policies and review operations of the Road Commission. The Road Commission provides services to fourteen (14) Townships in Delta County.

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EXECUTIVE OVERVIEW

OBJECTIVE ONE: To determine if there is a formal Mission Statement; if there are goals to achieve greater efficiencies; and if there are measures for progress from year to year.

No formal mission statement adopted. (Page 3)

OBJECTIVE TWO: To determine the existence and implementation of policies and procedures.

Needs Improvement. (Page 4)

OBJECTIVE THREE: To determine if the Road Commission's inventory management controls are effective, efficient, and secure.

Ineffective. (Page 6)

OBJECTIVE FOUR: To determine if the Road Commission is allocating the optimum amount of resources into the implementation of preventive maintenance on bridges - resources needed to be increased.

Needs Improvement. (Page 8)

OBJECTIVE FIVE: To determine if the Road Commission is following applicable State statutes for its bidding procedures.

Needs Slight Improvement. (Page 9)

OBJECTIVES, CONCLUSIONS

OBJECTIVES: The overall objective of our performance audit was to determine if the Road Commission was effectively and efficiently accomplishing their mission of maintaining existing roads, improving the condition of road surfaces, and in making changes to accommodate traffic safety. The specific objectives developed after our initial survey along with our conclusions are noted below.

When there is a Finding, Objectives are segmented into five different parts, which include Condition, Criteria, Effect, Cause, and Recommendation. All of these areas should be read in their entirety before making conclusions regarding any given objective. When there is no Finding, the Objective, Conclusion, and perhaps a "Suggestions for Management's Consideration" are stated.

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OBJECTIVE ONE: To determine if there is a formal mission statement; if there are developed goals in order to achieve greater efficiencies; and progress is measured from year to year through performance measures.

CONDITION: The Road Commission does not have a written formal mission statement. There are no goals supporting the mission statement and no long-term “strategic plan.” The Road Commission does have a limited number of performance measures that it uses to control the activities of its road maintenance operations. Much of the data related to road maintenance is available. However, only a limited amount of data is used as criteria to judge whether the Road Commission is improving over time.

CRITERIA: Long-range planning is generally interpreted to include the development of a future state of being (vision) based on the needs of residents and the organizational mission. Management then conducts an assessment of the current state of road conditions and determines the variance. The long-range plan is then developed to set objectives and goals for narrowing the gap between the present state of road conditions and the future state that the county would like to achieve. A long-range plan would include, among other items, a needs or priority listing showing which roads need attention and an estimate for their preventive maintenance and/or reconstruction.

EFFECT: The Road Commission may be using resources inefficiently. This may result in spending more of the Road Commission’s money than would be necessary.

CAUSE: Road commission personnel have a great deal of experience and rely on their experience and good judgment in order to make decisions for the road system.

RECOMMENDATION: We recommend that the Road Commission develop a long-range plan (strategic plan or vision) and compile data to create performance measures. The Road Commission should formalize the process. This would make it available to future officials who may not be as experienced in meeting performance goals. By formalizing the planning and evaluations process in written form, the uninitiated individual will be better able to learn the process and make fewer mistakes as a result. It will also assist in decision making and prioritization, thus enhancing the utilization of resources.

An example for developing a strategic plan is included in this report in Appendix A.

Examples of performance measures are included in this report in Appendix C.

MANAGEMENT COMMENTS: The Delta County Road Commission will develop and implement a formal mission statement to include a long-range plan. The assessment of the current road conditions has been accomplished with the use of the Road Soft software program and the Paser rating system. This data will be used in the prioritizing of work on all county roads as well as to assist the local townships with identifying the proper treatment for a given road condition which should maximize the use of the limited dollars for road maintenance and extend the service life of a roadway.

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OBJECTIVE TWO: To determine if the Road Commission has necessary policies and procedures.

CONDITION: While the Road Commission has policies in place, several policies have not been formally written or approved by the board. Of the policies that have been formally written, many have not been revised or updated for many years. The following is an example of recommended policies and procedures from the "Uniform Accounting Procedures Manual for County Road Commissions" (accounting manual) that the Road Commission does not have: borrowing of road materials, business revolving credit accounts, capital asset determination, contract overruns, ethics, fraud risk management, gifts to and from the Road Commission, gravel testing, job evaluations, personal use of Road Commission property and equipment including assigned vehicles, petty/imprest cash, purchasing, road closures for traffic emergencies, service requests, and signing of documents. The accounting manual is published by the Michigan Department of Treasury, Local Audit and Finance Division, and is available for download at: www.michigan.gov/treasury.

In addition to the policies not adopted listed above, the Road Commission has also not adopted an investment policy or a conflict of interest policy in accordance with State statute.

CRITERIA: According to the accounting manual, "Road Commissions should establish policies to aid in the administration of the organization. Policies lay out guidelines that new employees and new commissioners can readily acquaint themselves with. Policies establish standard operating procedures in many areas of the Road Commission business. Policies can insure uniform and consistent answers and treatment of procedures."

"Policies need to be adopted by the board at a board meeting...An annual review of policies should be performed by the staff, and as needed, updated in the form of amendments."

For the investment policy, Public Act 20 of 1943, as amended, a formal investment policy is to be adopted by the council no later than March 31, 1999.

For the conflict of interest policy, MCL 224.9, Section 9, paragraph (2) states: "The board shall annually appoint 1 member as chairperson to serve during the pleasure of the board. The board of county road commissioners shall act as an administrative board only and the function of the board shall be limited to the formulation of policy and the performance of official duties imposed by law and delegated by the county board of commissioners; and a member of the board of county road commissioners shall not be employed individually in any other capacity by, or for other duties with, the board of county road commissioners."

MCL 15.328 states: "It is the intention that this act shall constitute the sole law in this state and shall supersede all other acts in respect to conflicts of interest relative to public contracts, involving public servants other than members of the legislature and state officers, including but not limited to section 30 of 1851 PA 156, MCL 46.30. This act does not prohibit a unit of local government from adopting an ordinance or enforcing an existing ordinance relating to conflict of interest in subjects other than public contracts involving public servants."

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Note: MCL 46.30 Sec. 30 states: “A member of the county board of commissioners shall not be interested directly or indirectly in any contract or other business transaction with the county, or a board, office, or commission thereof, during the time for which he is elected or appointed, nor for one year thereafter unless the contract or transaction has been approved by 3/4 of the members of the county board of commissioners and so shown on the minutes of the board together with a showing that the board is cognizant of the member's interest. This prohibition is not intended to apply to appointments or employment by the county, or its officers, boards, committees, or other authority, which appointments and employment shall be governed by the provisions of section 30a of this act.”

A comprehensive listing of example policies is illustrated in the accounting manual starting on page 202. See Appendix B (page 14) for a listing of potential policies from the accounting manual.

EFFECT: The Road Commission may not be operating in accordance with the board and in accordance with standard guidelines. Tensions can arise when procedures are not followed as expected. If expectations are not formally written, the outcome may be confusion and frustration. As a result, the focus of the mission may be lost and the duties may be shifted to compensate creating more significant problems in the end.

CAUSE: The roles of the administration have not been clearly defined or followed. Specific policies and procedures have not been developed by the board or have not been followed by the administration. Monitoring of established policies has been neglected.

RECOMMENDATION: We recommend the board formally establish policies and procedures. When recurring problems arise, the board should adopt a formal policy in order to give direction should the problem arise again. This will ensure the problem is handled in the proper way.

MANAGEMENT COMMENTS: The Delta County Road Commission currently has a copy of the Uniform Accounting Procedures Manual, which will be used as support and reference for all the proposed policies and procedures. The board of road commissioners will add “Policies” to the agenda for all regular meetings. This will be used first to develop and implement the policies that are required by law. Second, it will be used to review, develop and implement the policies that have been recommended by the Department of Treasury. Third, it will be used as a periodic review of all policies that have been developed for necessary updates.

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OBJECTIVE THREE: To determine if the Road Commission's inventory management controls are effective, efficient, and secure.

CONDITION: There is general lack of internal control over the parts inventory of the Road Commission which has led to large adjustments to the inventory account as follows:

<u>Year</u>	<u>Parts</u>	<u>Blades</u>	<u>Tires</u>	<u>Total Adjustment</u>
2005	\$ (14,607)	\$ (4,121)	\$ (4,096)	\$ (22,824)
2004	(9,333)	2,862	(3,770)	(10,241)
2003	(6,795)	(1,506)	(5,189)	(13,490)
2002	311	(5,357)	228	(4,818)
2001	(13,873)	(4,092)	(1,724)	(19,689)
2000	<u>(18,384)</u>	<u>(3,424)</u>	<u>(1,001)</u>	<u>(22,809)</u>
Total	<u>\$ (62,681)</u>	<u>\$ (15,638)</u>	<u>\$ (15,552)</u>	<u>\$ (93,871)</u>

Also, during our review, we took a sample of 25 parts and compared the amount on hand to the amount listed on the inventory status report. We found that 5 of the 25 or 20% of items counted did not agree with the inventory status report.

CRITERIA: The Uniform Accounting Procedures Manual for County Road Commissions list the following procedures for maintaining inventory. All withdrawal of materials and parts should be by signed requisitions only. Requisitions should be pre-numbered and contain the quantity and description of the item or items being withdrawn, the date of withdrawal, and the equipment number for which the parts or materials are being withdrawn. The requisition should be signed by the person receiving the parts or materials from the stock clerk.

All material and parts storage facilities should be secured. Only the stock clerk and a limited number of authorized persons, such as the foreman or supervisor, should be allowed to enter the stockroom. One person should be designated as supervisor of all inventory operations.

To control the volume of equipment parts on hand, it is recommended that the balance in Account #110 be no more than 50% of the total parts charged to the equipment accounts during the year. Obsolete inventory should be disposed of and accounted for in the manner prescribed by board policy.

The inventory control should be reconciled to the subsidiary inventory listing (inventory status reports or other detail) on a monthly basis.

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All incoming parts, materials and equipment should be checked against the purchase orders and shipping or load tickets by the stock clerk. The accounting office should be advised immediately of the parts, materials or equipment delivered by means of a numbered receiving report issued by the stock clerk or by proper notation on the copies of the shipping or load tickets.

We cannot over-emphasize the importance of maintaining proper inventory accounting and control. Most counties now employ a full-time stock clerk and maintain a computer generated inventory system. All purchases should be posted to the inventory system when **received**. The physical inventory should be priced from the perpetual inventory system, extended, totaled and checked against the total inventory value as carried on the general ledger. The timely posting of requisition withdrawals from inventory must also be performed.

Regardless of the method used, it can only be as effective as the physical control maintained over the stock room.

EFFECT: Until procedures are put into place, large adjustments will continue to be needed that increase the expenses of the Road Commission. This affects the final financial statements and the budget prepared by the Road Commission. The large negative adjustments to inventory imply potential questionable activities occurring in the stock area.

CAUSE: While requisition forms are available, no enforcement exists to encourage their usage. The stock room is also open in two places in which any employee can remove a part without using a requisition form or even necessarily being seen by the stock clerk. The stock clerk is not always available and is the only responsible party that ensures inventory procedures are followed.

In regards to the blades and the tires, no emphasis is put on signing these items out when they are placed on the trucks. The current philosophy is to replace these items, get the trucks back on the road, and worry about the accounting later.

RECOMMENDATION: We recommend that the Road Commission immediately limit the access to the stock room to one entrance with only the stock clerk and authorized individuals entering the restricted area. We further recommend that procedures be established to enforce the use of the requisition form and ensure proper accounting for the inventory of the Road Commission. Keeping the inventory up to date and ensuring its accuracy will help to maintain adequate stock on hand to repair vehicles while minimizing obsolescence and maximizing use of limited resources.

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MANAGEMENT COMMENTS: Measures have since been initiated to ensure that only the Purchasing Agent and/or the Shop Foreman is occupying the stockroom during normal working hours and they alone administer equipment parts and supplies to Road Commission employees. In reference to this issue, a policy will be developed and placed on file with memos to be distributed to the Purchasing Agent and Shop Foreman with copies posted for all employees in relation to authorized access to the stockroom. A policy and procedures will be developed for the purchasing, receiving, storing, and distribution of all parts and supplies. Included in said policy, but not limited to, will be bidding procedures, bid bond acceptance, and return procedures and capital outlay.

OBJECTIVE FOUR: To determine if the Road Commission is allocating the optimum amount of resources into the implementation of preventive maintenance on bridges.

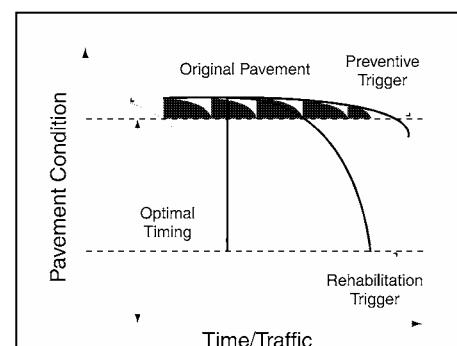
CONDITION: From 2001 to 2004, the Road Commission has spent only **\$21,356** in preventive maintenance (formally routine maintenance) on over 52 bridges throughout the county. During this same time period, **\$598,564** was spent on preservation/structural improvements (formerly heavy maintenance) for bridges.

CRITERIA: The Uniform Accounting Procedures Manual for County Road Commission's defines preventive maintenance as a planned strategy of cost-effective treatments to an existing roadway system and its appurtenances that preserve assets by retarding deterioration and maintaining functional condition without significantly increasing structural capacity.

EFFECT: The Road Commission may be spending too much on preservation/structural improvements as a result of inadequate funding for preventive maintenance on bridges.

CAUSE: There is a lack of established goals including evaluation of performance measures. Some of the maintenance performed on bridges may be allocated to the road if the road is being maintained. Also, preservation/structural improvement expense may be booked when performing joint repair. Preservation/structural improvement is not considered preventive, but is regarded as reconstruction.

RECOMMENDATION: We recommend that the Road Commission increase the amount of funds spent on preventive bridge maintenance to increase the life of bridges before complete reconstruction is needed. The amount of money necessary to prevent total reconstruction is much smaller than the reconstruction costs while significantly increasing the life of the structure. The tendency to avoid the costs of preventive maintenance and wait for State Critical Bridge funding after the deterioration of these structures should be avoided.



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Note: The Road Commission has just received its latest bridge inspections which are dated for September 2005. In the inspections, the company that surveyed the bridges also outlined all areas that it felt should be addressed by the Road Commission for each bridge. We would encourage the Road Commission to utilize this information provided to begin to address the recommendation listed above.

MANAGEMENT COMMENTS: Through the years, bridge maintenance has been charged to the roadway the bridge was located on, hence the costs for such work has not been reflected accurately. The Road Commission will in the future provide better documentation and reporting of all work performed on bridges. The Road Commission utilizes the MDOT required bridge inspections that a qualified consulting firm completes with copies of the Bridge Safety Inspection Reports forwarded to our district superintendents for scheduling any bridge restoration. The Road Commission will hold on file any documentation of completed bridge repairs.

OBJECTIVE FIVE: To determine if the Road Commission is following applicable State statutes and Road Commission policies for its bidding procedures.

CONDITION: While the Road Commission is in compliance with State statutes, it currently accepts business checks as bid bonds. Those bonds that are accepted are not returned to the businesses in a timely manner upon completion of the contracts awarded during the bidding process.

CRITERIA: The Uniform Accounting Procedures Manual for County Road Commissions states that the county road commission should use their discretion as to whether or not the bid sureties should be required. Generally, they are included in the specifications when the bid requires a substantial outlay, or as required by law, to protect the interest of the county road commission. Normally, the amount should be sufficient enough to cover anticipated differential costs between the lowest and the next lowest bidder as well as the administrative costs associated with the possible re-advertisement of the bid or proposal.

Bid sureties generally increase the cost of bidding and tend to reduce competition. Each county road commission should use their discretion as to whether or not the bid sureties should be required. The following forms of bid surety are generally acceptable:

1. Bid bond signed by a surety company authorized to do business in the state in which the bids are solicited.
2. Cashiers check.
3. Certified check.
4. Letter of Credit drawn on a responsible financial institution.
5. U.S. postal money order.

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EFFECT: The number of bids received by the Road Commission may be effected as contractors will not want to pay bid sureties or even effect contract prices based on the length of time the sureties are withheld.

CAUSE: The Road Commission does not have any formal policy and procedure in place to ensure that an acceptable form of payment is received or that the bid sureties are properly allocated to the Road Commission and/or payer when the contract is satisfactorily completed.

RECOMMENDATION: We recommend that the Road Commission establish procedures to receive the bid sureties in the acceptable forms listed above and ensure the timely disposition of the bid sureties to the Road Commission and/or payer upon completion of the projects.

MANAGEMENT COMMENTS: The Delta County Road Commission will develop and implement policy and procedures for the acceptance of only the acceptable forms of bid sureties as recommended by the Department of Treasury. Road Commission staff has developed and will implement, upon board approval, a form to be included in the above policy to assure a timely return of all bonds.

OTHER MATTERS

Five-Year Plan

CONDITION: The Road Commission does not have a five-year plan for nonmotorized transportation improvements.

CRITERIA: MCL 247.660k requires the Road Commission to "annually prepare and submit a 5-year program for the improvement of qualified nonmotorized facilities which when implemented would result in..." specified expenditure levels.

EFFECT: The Road Commission is in noncompliance with this statute.

CAUSE: The Michigan Department of Transportation (MDOT) has not published guidance on the format or submission requirements of the nonmotorized facilities five-year program. However, there was no five-year program that would comply with State statute. The Road Commission has proposed a pathway system that has no specific timeframe or cost estimates for the considered improvements.

RECOMMENDATION: We recommend that the Delta County Road Commission prepare and submit an annual five-year plan for the improvement of qualified nonmotorized facilities as required by MCL 247.660k. We recommend that the Road Commission prepare the plan in a form that they believe would be appropriate and would comply with Public Act 51 of 1951, as amended, and have the plan available for public inspection.

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MANAGEMENT'S COMMENTS: The Road Commission will develop and implement a five-year plan to be submitted to the Department of Transportation for nonmotorized improvements within the right-of-way of public roadways in Delta County.

BUDGET

CONDITION: The budget adopted by the Road Commission only includes the current year's information.

CRITERIA: MCL 141.435:

- (1) The recommended budget shall include at least the following:
 - (a) Expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year.
 - (b) An estimate of the expenditure amounts required to conduct, in the ensuing fiscal year, the government of the local unit including its budgetary centers.
 - (c) Revenue data for the most recently completed fiscal year and estimated revenues for the current fiscal year.
 - (d) An estimate of the revenues, by source of revenue, to be raised or received by the local unit in the ensuing fiscal year.
 - (e) The amount of surplus or deficit that has accumulated from prior fiscal years, together with an estimate of the amount of surplus or deficit expected in the current fiscal year. The inclusion of the amount of an authorized debt obligation to fund a deficit shall be sufficient to satisfy the requirement of funding the amount of a deficit estimated under this subdivision.
 - (f) An estimate of the amounts needed for deficiency, contingent, or emergency purposes.
 - (g) Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

EFFECT: The Road Commission is in noncompliance with this statute. The trends of increasing expenses and declining revenues is not as apparent without the required analysis.

CAUSE: The Road Commission did not include the required information with the budget presented at the time of its adoption.

RECOMMENDATION: We recommend that the Road Commission begin including the required information on revenues, expenses, and fund balances not only to comply with State statute, but also to be able to provide the analysis of revenues and expenses projected for the Road Commission for the ensuing year.

MANAGEMENT COMMENTS: The annual fiscal year budget of the Delta County Road Commission will be updated to include three years of revenues, expenses, and fund balance.

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SCOPE AND METHODOLOGY

This audit was conducted in accordance with Generally Accepted Government Auditing Standards by the following auditors during 2005: Derek J. Hall; Shirley M. Grant, CPA; and Amy L. Renshaw. The audit included an evaluation of the operations of the Road Commission of Delta County, as they relate to Public Act 51 of 1951, as amended, in effect at the time of our audit. Evaluations included, but were not limited to, a review of financial information for the period 2001 to 2004 and interviews with key management officials. Specific objectives were selected based on an initial one-day onsite survey and the results of the evaluations noted above.

APPENDIX A: Strategic Planning Methodology

The following is an example of strategic planning methodology and is not intended to reflect on the strategic plan of the Road Commission or a lack thereof. It is for informational and instructional purposes only.

Strategic planning is a disciplined effort to plan organizational efforts over a specific period of time, generally 5 years, to reach a desired performance level. The desired performance level, or end state, is often called a "vision." The following methodology can be used by an organization to develop a strategic plan. Organizations usually develop their strategic plan in a series of facilitated workshops. The facilitator can be someone from your own organization or a professional facilitator.

Strategic planning begins by identifying the organization's mission. The mission of an organization describes its reason for existence. Mission statements are broad and expected to remain in effect for an extended period of time. The statement should be clear and concise, summarizing what the organization does by law, and presenting the main purposes for its entire major functions and operations.

Next, the planners identify and survey their customers to determine their expectations for the organization. In the case of a county, the customers would be the citizens of the county, businesses located in the county, etc. Once the customer expectations are identified, they are consolidated and then compared to the organizational mission. It is important that the customer's expectations be consistent with the organization's mission, before developing the organization's vision. Prior to developing the organizational vision, the Road Commission must also identify and consider assumptions that will impact their ability to implement their vision.

Assumptions are those anticipated events and trends that the group conducting the strategic plan believes will impact their ability to implement their vision and the objectives and goals, which will be implemented to reach the vision. The assumptions may force the organization to alter their vision or to modify objectives and goals. As such, the assumptions are taken into consideration twice, first when forging a vision and then when developing objectives and goals to implement the vision. Examples of assumptions include budgetary constraints, expected retirement of key employees, and introduction of new technology.

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With the mission, customer expectations and assumptions developed, the organization is now ready to develop a vision. The vision is an overarching statement of philosophy or strategic purpose intended to convey a vision for the future and an awareness of challenges from a top-level perspective. An example of a vision is “to provide a full spectrum of street maintenance services that exceed the expectations of customers.”

Next, the present state of performance is compared with the expectations of the Road Commission’s customers to identify the performance gap. The performance gap consists of those items that must be addressed by the Road Commission when they develop their objectives and goals.

The objectives are management’s assertions regarding progress (e.g., the Road Commission will improve nonmotorized transportation routes). The goals are specific performance measures that the Road Commission will work towards achieving for a particular year (e.g., twenty miles of new nonmotorized transportation routes per year along specific streets, a new bridge, specific streets that will be repaved). As previously noted, management must also consider the impact of assumptions on objectives and goals. In some cases, assumptions will change the manner in which management addresses a particular objective or goal. An example would be an objective that requires the building of new bridges, which would be influenced by the assumption that only so much critical bridge funding will be available over the next 5 years.

Summarizing the above process, the strategic plan itself includes a mission statement, general performance goals and objectives, a description of how the goals will be achieved, and an indication of how program evaluations were used in establishing or revising the goals. The description of how the goals will be achieved should include a schedule for significant actions, a description of resources required to achieve the goals, and the identification of key external factors that might affect achievement of the goals. Goals should be expressed in a manner that allows a future assessment of whether it was achieved; therefore, it is usually a measurable (e.g., number of transactions per employee per year).

In the initial strategic planning process, it may be possible to use the information gathered by the auditors during their recent performance audit to determine customer expectations and current performance levels. Management could then do an initial strategic plan incorporating this information with the plans and projects already scheduled for the out years. This would help management consolidate all planning, regardless of the funding, and identify any realistic customer expectations that are not otherwise being addressed. Such a plan would also provide one source of information to the general public on the Road Commission’s objectives.

Examples of performance measures to evaluate your accomplishments can be found at the following web address: <http://www.seagov.org/aboutpmg/elements.shtml> and in Appendix C.

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APPENDIX B: Potential Policies and Procedures

Below is a listing of subjects that some county road commissions have incorporated into formal board policies. Required policies are noted with an asterisk (*). Subjects with a double asterisk (**) should be reviewed to determine whether a policy should be adopted by the board. All other policies are optional. This listing is not meant to be all inclusive.

- Abandonments
- Accounts Receivable Authorizations
- Advance Vacation Pay or Early Payroll Check
- ** Affirmative Action
- All Season Road Specifications
- Audits
- Borrowing of Road Materials
- Bridge and Culvert Replacement
- Bridge Definitions
- Brush Cutting Guidelines
- ** Budget Appropriation Act
- ** Business Revolving Credit Accounts
- ** Career Development
- Cash Disbursement (Standard Operating Procedure)
- Catastrophic Illness
- Chain of Command
- Change in Existing Grade or Alignment
- Check Cashing Time Limit
- Citizens Wishing to Address the Board
- Clerk of the Board Designation
- Closed Meetings
- Clothing Allowance
- ** COBRA Premiums
- ** Commercial Drivers License
- Conflict of Interest
- Consultant Evaluation Record Keeping
- Contractor Evaluation Record Keeping
- Cost Sharing--Reconstruction, Recaps, Replacement of Curbs, Bridges, Etc.
- County Drain Improvements
- CRAM Committee/Board of Director Appointments
- * Credit Cards
- Crediting Investment Income on Township Deposits to Project
- Damage Claim Payments
- Damage to Asphalt Surface
- Dead Animals
- Dedication of Platted Subdivisions Street Surfacing

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Deferred Compensation Program
Density Testing
Designation of Person Responsible for Providing Proper Meeting Notices
Ditching Along Primary Roads--Cost Sharing
DNR/DEQ Permits
** Drug Free Workplace/Substance Abuse
** Drug Testing Policy
Dust Control Chemicals
Emergency Weather Procedure
Employee Assistance Program
Employee Bonds
Engineering Costs on Local Road Projects
* Equal Employment Opportunity
Equipment Rentals
Establishment of Truck Routes in Townships
Ethics
** Family and Medical Leave Act Fixed Asset Determination
* Flexible Benefit Plan
FLSA Exempt Employees
Former Employee Fee for Deposition/Court Appearances
Fraud Risk Management
* Freedom of Information
Grades on Gravel Roads
Gravel Testing
Guardrail on Local and Primary Roads
Haul Route Requirements
Hazardous Material Removal
Hiring Committee
Indemnity
Injury Management, Physicals, Drug Testing
Inspection Procedures and Charges to Government Units
Installation of Driveway Culverts/Sewer Lead/Signs
Insurance Coverage
** Inventory Control
* Investments
Invoices
Job Evaluation Plan and Compensation System
Leave of Absence for Non-Union Employees
Long Distance Calls on Out of Town Business
Longevity Death Benefit for Salaried Employees
Longevity Pay
Mailbox Standards and Mailbox Damage Reimbursement
Management Bargaining Unit

PERFORMANCE AUDT -- ACT 51 OPERATIONS

ROAD COMMISSION OF DELTA COUNTY MICHIGAN

- Maps
- Meetings With Townships Officials
- * Michigan Right to Know Law
- Minimum Width of Surfacing and Graded Shoulder
- MIOSHA
- Monument Boxes
- ** Mutual Aid Agreement
- ** Notification of Fatalities Involving Road Commission Employees
- Notification of MISS DIG
- Obtaining ROW
- Office Hours
- ** Open Meetings Act/Robert's Rules of Order
- Overhead Charges
- Overweight/Overwidth/Overheight Move Rules and Regulations
- ORV's
- Pavement Marking/Striping--Annual Review
- Payment of Vacation and Sick Leave Upon Retirement/Termination
- Payroll Check Direct Deposits
- Permits
 - Authorization to Shut Down Operations in ROW Without Permit Annual Cab Cards
- * Fee Schedule
 - Fiber Optic Cable
 - Requirements and Insurance
 - Municipality
 - Underground Utility
 - Work in Right-Of-Way
 - Work Notification
- * Personal Use of Road Commission Vehicles
- Petty Cash
- Private Contractor Agreements Negotiated by Townships
- Private Driveway/Road Maintenance
- ** Purchase Orders
- Regraveling of Local Roads
- Railroad Grade Crossings
- Retirement Contributions
- Retirement Gifts
- Right Of Way Acquisition Procedures on Federal Aid Routes
- Road Closures for Traffic Emergencies
- Road Damage
- Road Markings
- Road Name Change Fees
- Road Name Signs
- Roadside Drains

PERFORMANCE AUDT -- ACT 51 OPERATIONS

ROAD COMMISSION OF DELTA COUNTY MICHIGAN

- * Safety
- Salaries
- Seasonal Road Designation
- Selling Materials
- Service Charges on Townships Invoices
- ** Service Requests
- ** Sexual Harassment
- Sick/Vacation Leave in-Lieu-of Hospitalization Insurance
- Sidewalks for Commercial Frontages
- Signing--Joint Projects With Townships
- Signing of Documents
- ** Smoke Free Work Place
- Snowmobiles
- Soil Erosion and Sedimentation Control
- Special Assessments for Road/Street Improvements
- Specifications for Boring, Jacking and/or Tunneling Roads
- Surviving Spouse--Health Insurance
- Supplemental Annual Report
- Temporary Pay Rate
- Tiling of Ditch With Right-of-Way
- Time Cards
- Townships Billings
- Township Contributions
- Township Cost Share
- Traffic Control Devices
- Traffic Control Orders, Surveys, and Recommendations
- ** Travel Policy
- Tree Replacement
- Tree Stump Removal/Sidewalk Repair
- Tree Trimming
- Unemployment Compensation
- Village/City Streets
- Winter Construction

APPENDIX C: Areas Of Measurability And Internal Quality Improvement

1. Inputs

- Person-hours spent on road maintenance
- Wages paid for labor
- Amount of materials used
- Cost of materials used

PERFORMANCE AUDT -- ACT 51 OPERATIONS

ROAD COMMISSION OF DELTA COUNTY MICHIGAN

- Equipment usage (measured either by the proxy cost of renting particular types of equipment or by depreciation)
- Administrative costs for road maintenance
- Total costs of road maintenance activity (reported in both current and constant dollars)

2. Outputs

- Pavement miles resurfaced during a year
- Pavement miles seal-coated
- Number of potholes repaired (tons of premix)
- Miles of curb, gutter, and sidewalk replaced
- Number of street utility cuts repaired
- Number of storm inlets repaired

3. Outcomes or Service Quality

- Number and percentage of lane miles of road whose condition was improved or that were maintained at a level rated “satisfactory” or better
- Road ridability as measured by towing devices such as Mays meters, which automatically record pavement roughness
- Pavement distress as measured by visual surveys or other pavement condition assessment technologies (both contact and noncontact)
- Percentage of roads meeting certain rating standards at any one time
- Performance ratings found by inspectors overseeing quality of maintenance crews by looking at particular jobs after they are completed (These ratings can include measures such as pavement density achieved.)
- Response times of repair crews to citizen complaints or other reporting of potholes or other pavement problems
- Numerical condition rating by class or type of road
- Number of damage claims
- Changes in all of these indicators from past years’ performance

4. Ratios of Inputs to Outputs

- Average unit dollar costs for particular types of repair, such as cost per lane mile of street resurfaced
- Average number of hours to perform particular types of repairs, such as number of person-hours per lane mile of street resurfaced
- Number of maintenance persons per lane mile maintained
- Cost per lane mile maintained by surface type